

## **Pay Table Reform...Part of the Largest Compensation Package in History**

The fiscal 2000 National Defense Authorization Act has been approved by Congress and will become law once signed by the President.

The NDAA includes provisions for the most comprehensive compensation package of pay and benefits for service members in 50 years.

Rather than approach the President and Congress with one program that needed attention, DoD and Air Force senior leaders felt compensation needed a comprehensive fix. The result was a "triad" that includes the highest pay raise military members have seen in 18 years, repeal of the REDUX retirement plan, and a one-time reform of the Department of Defense military pay table.

### **Compensation Triad**

-- **Pay raise**: All military members will receive a 4.8 percent across-the-board pay raise Jan. 1, 2000. This is a step toward closing the overall 13.5% pay gap when military wages are compared with salaries across America. We needed both a change in the current law where military pay raises would no longer be computed at 0.5% less than salary raises in the private sector, and an immediate pay raise above the national index. The 2000 NDAA provides for base pay raises over the next six years at 0.5% more than national salary increases.

-- **Repeal of the REDUX retirement plan**: Restoring the option for 50% of base-pay retirement at 20 years was our most pressing need. Airmen now under Redux will have the option of moving to the 50 percent at 20 years' service formulas, and with full retirement cost-of-living increases each year, guaranteeing no drop in purchasing power during retirement years.

-- **Pay Table Reform**: Involves a one-time correction to the Department of Defense pay table to correct long-time deficiencies. These changes are the result of years of comprehensive analysis of the current table, essentially unchanged since 1949. The 7<sup>th</sup> and 8<sup>th</sup> Quadrennial Review of Military Compensation (QRMC) in the mid-1990s addressed the pay table and recommended reform to:

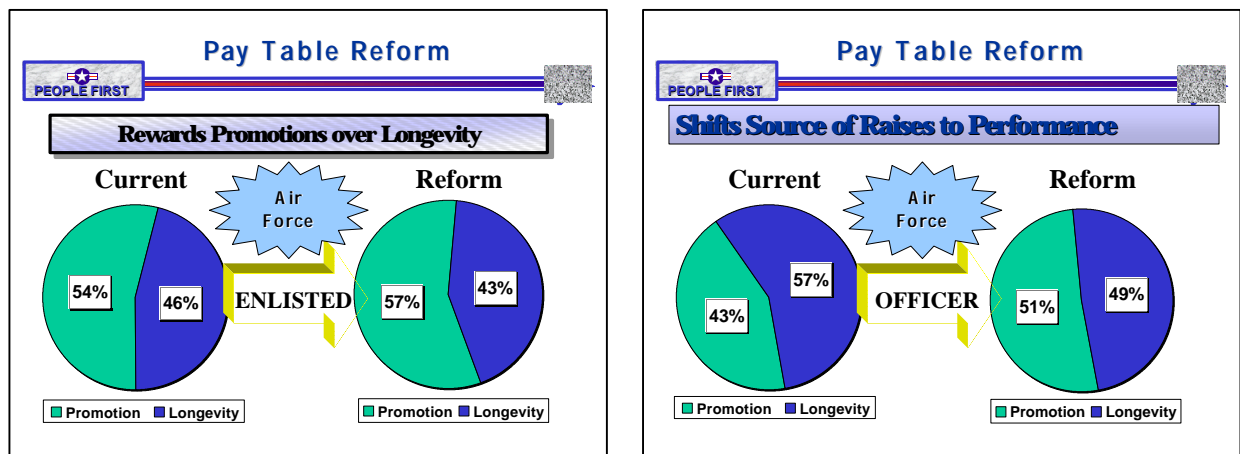
-- relieve compression between grades by restoring significance to every promotion relative to longevity pay increases.

-- shift the balance in emphasis toward promotion while retaining meaningful and consistent longevity raises and eliminate inconsistencies in the pay table.

There are some obvious differences in percent increases for officers and enlisted. Reasons for these differences:

-- The current pay table has the Air Force enlisted pay at a nearly equal split with 54% of raises at promotion and 46% for longevity. This is not far from the ratio OSD suggested so the pay table reform moves only a small portion of raise monies from longevity to promotion pay cells. Under reform, enlisted raises will be 57% for promotion and 43% for longevity.

-- Officer pay, on the other hand, is weighted much more for longevity; currently, officers receive 43% of their raises for promotion and 57% for longevity. Under reform and OSD objectives, 51% will be for promotion and 49% for longevity.



To make these changes, OSD determined more officer cells needed adjustment (to emphasize promotion over longevity) than enlisted cells, one of the reasons some officer individual pay cells are increasing at a higher percentage than enlisted cells. Another reason for differences in percent increases for certain officers and enlisted is how the Air Force applies promotion laws and policies in our promotion programs.

The pay table reform moves more money up front for promotion but since the services promote officers roughly the same time, all service members receive the benefits from a boost in pay that is targeted for more promotion and less on longevity. The situation, however, is not the same for enlisted promotions.

Each service is different—different missions, different force structure, different requirements for highly technical and experienced personnel. We look at the Air Force as a “retention service” where we require healthy reenlistment and full careers to sustain the enlisted force with the right mix of training and technical experience. Other services need more junior personnel but those who reenlist and remain tend to move more quickly through NCO grades.

When statutory limits on how many E-9s and E-8s a service may have on active duty (1% CMSgts, and 3% Chiefs and SMSgts), and policies on how many enlisted members can be serving in the top-five grades (48.5% of the active duty enlisted force) are coupled with healthy reenlistment rates, the Air Force promotes later to the top-five enlisted grades than our sister services do.

When you look at the reformed pay table with its weight in favor of promotion over longevity, in some pay cells our enlisted do not garner the maximum benefit from the DOD pay table reform.

So airmen are getting an added pay boost with the reform but we are not getting the maximum boost the reformed pay table offers for someone promoted earlier. This is not a fault of the pay table but a consequence of our current promotion phase points.

To help correct this, the Air Force is promoting airmen faster with a three-pronged approach:

- First, we have significantly increased promotion opportunities. For example, in 1999 the staff sergeant opportunity was 36.3 percent -- the highest in the history of the Weighted Airman Promotion System.

- Second, a change in the enlisted force structure has increased the maximum number of active duty enlisted in the top-five grades to 52 percent today -- moving to 56 percent by 2003. This is up from a low of 48.5 percent.

- These combined actions provide the third prong: reduced sew-on time. For example, the sew-on time for staff sergeant has decreased from 7.6 years in 1995 to 7.4 years in 1998 to 6.8 years this year. It will move down to 6.1 years by 2003. Therefore, the average airmen will sew on E-5 18 months sooner. Similarly, promotion opportunity to technical sergeant was 11.2 percent in 1995; today it is 24 percent. Last year's sew-on time of 14.1 years is expected to decrease to 12.8 years by 2003.

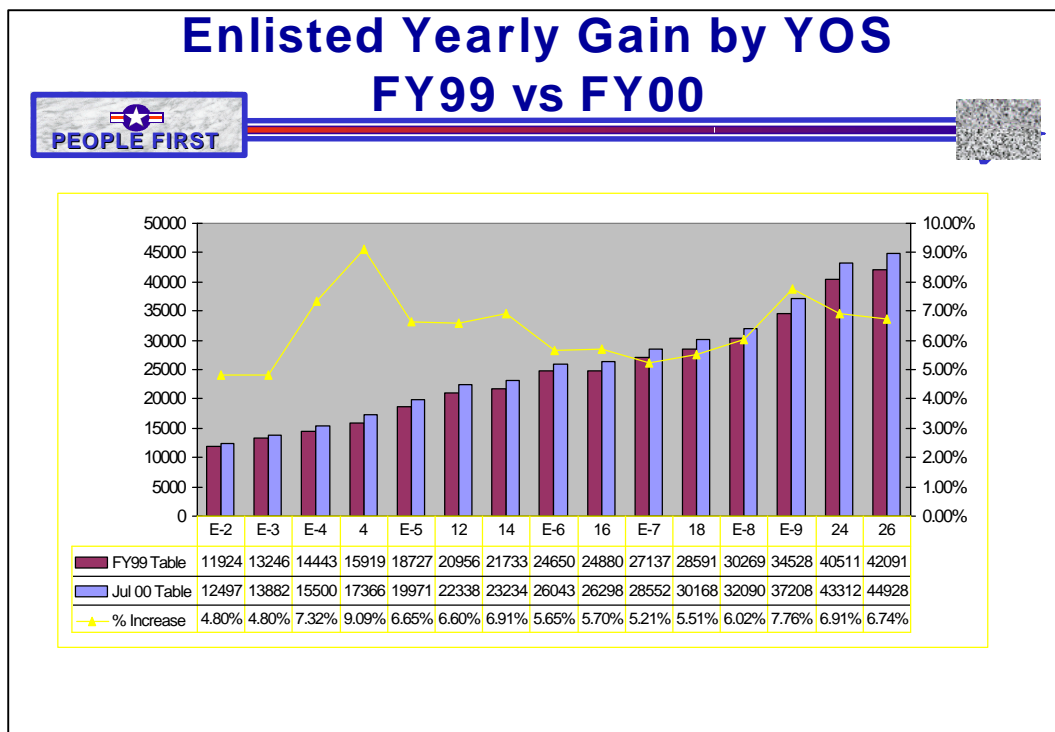
Although most members will receive an additional pay increase with the reformed table, it's important to remember the reform is not intended to be a regular pay raise, rather a one-time modification to the table that will be used by all services.

It is also important for members to look beyond their individual pay cell amount -- pay based on grade and years of service -- and look at the increased earnings they will realize throughout their careers and into retirement.

Pay table reform impacts 82.3 percent of the enlisted force. Three-quarters of all the dollars put into pay table reform will go to the enlisted force.

When comparing the number of Air Force personnel assigned to each grade and by years of service, the combined 4.8% pay raise and pay table reform will generate an average increase of 6.21% for enlisted members. The highest increase targets senior airman over two years followed by chief master sergeants over 20 years with an additional 3.5%.

Look at this issue from a long-term perspective. The average airman staying in the Air Force for retirement will be promoted 6 times during a 20-year career. Based on average promotion phase points (chart below), an airman with a 30-year career will experience a 6.37% increase in career earnings with the 4.8% raise and pay table reform, while career earnings for a master sergeant with a 20-year career will increase by 6.25%.



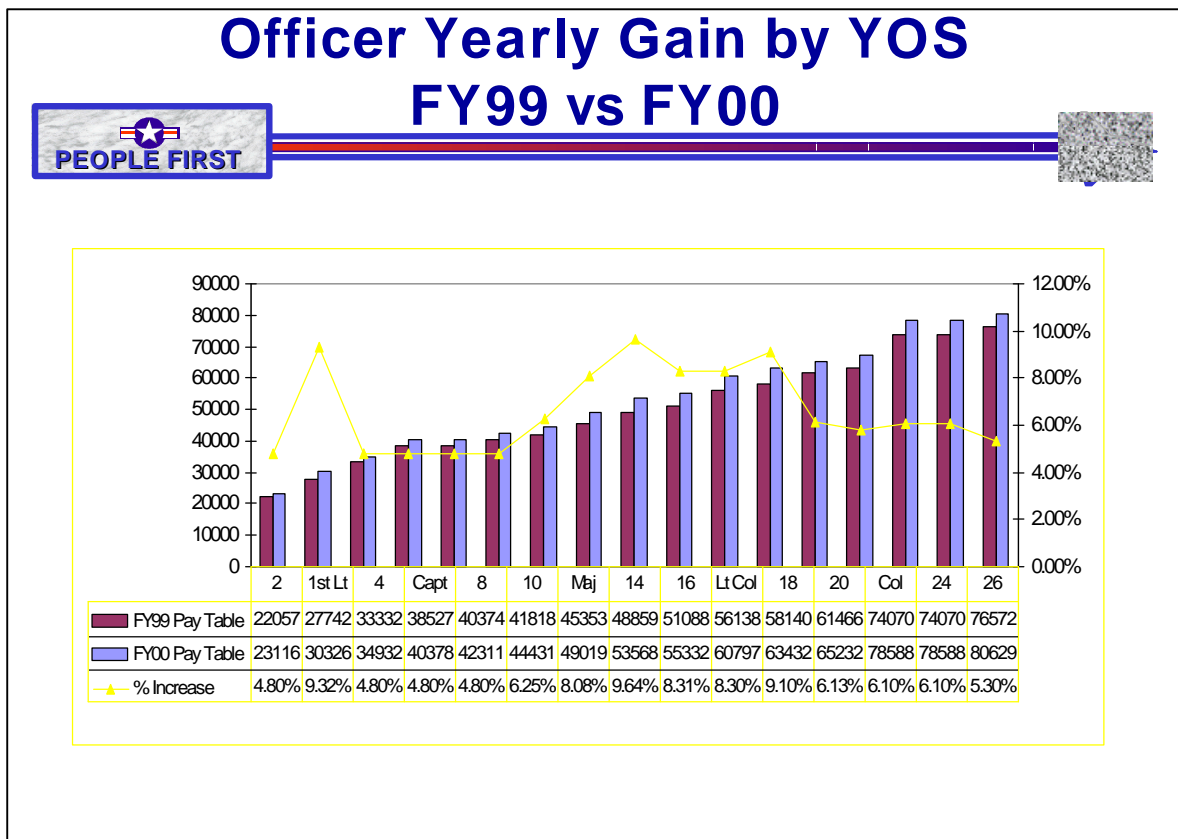
While 82.3% of the enlisted force will receive a pay table reform raise on top of the 4.8% raise, 56.5% of the officers will receive a pay reform increase. On average, officers will receive pay raises of 6.17% in FY00 (4.8% pay raise and reformed pay table) with the highest pay cell raise (5.5% on top of the 4.8%) at major with 10 years of service.

Note, there are officer raises for majors on the reform chart at 5.5%, with boosts at 6, 8, and 10 years of service in addition to the 4.8% pay raise. Yet, none of our Line of the Air Force majors now make major that fast so those cells do not apply (some will apply to doctors, lawyers and other “professional corps” officers). The pin-on time for line majors today is 11.4 years; so, when a captain

pins to major, he or she will move into the over-10 cell boosted at 5.5% for seven months, then move to the over-12 years cell with a 4.8% boost under reform.

A similar situation exists for line lieutenant colonels. The 5.5% reform increases at 6, 8, 10, 12 and 14 years would not apply—only below-the-zone lieutenant colonels would use the 14-year pay cell. There are other pay cells on the reform chart that line officers do not use, particularly in the general officer ranks.

Pay table reform results in some officers receiving larger pay raises because, under the current pay table, they receive some of the smallest promotion increases. For example, a captain promoted to major under the current table receives a 4.7% pay raise after waiting eight years for promotion; pay table reform corrects this situation with a 10.4% raise upon pinning. Not only do officers usually wait longer for promotions, most officers who remain for retirement will only be promoted 4 times in a 20-year career.



### Questions/Comments about Pay Table Reform (PTR)

**Comment: Some people are “losers” in Pay Table Reform**

**Response:** It is true that not everyone on active duty will get two pay raises during FY2000. Our Airmen Basic, Airman and Airman First Class pay remains the same, with all three grades occurring during their first year on active duty. The first enlisted additional boost in pay will occur at Airman First Class at two years of service. Similarly, none of our second lieutenants with less than two years and prior enlisted lieutenants will see a second pay raise in 2000, and prior enlisted captains will not see an immediate second raise unless they fall in certain longevity increase cells. Major General and higher also do not see a second pay raise with pay table reform. Members who don't see an immediate or big raise in Jul 00 will as they get promoted and serve longer—and this increases the base for eventual retirement computation. Everyone needs to look beyond the particular pay cell they are in and look at the increased earnings they will realize throughout their careers and into retirement.

**Comment: The pay table favors officers over enlisted**

**Response:** When you bump the reformed pay table against our current officer and enlisted forces, the average enlisted member will gain 6.21%; the average gain for officers will be essentially the same--6.17%. In addition, more enlisted members--82.3% versus 56.5% of the officers--will receive more in Jul 00 as a result of PTR.

**Comment: There are "phantom" raises or pay cells**

**Response:** Admittedly, the reformed table still has a number of pay cells in which we currently have no members. It's important to keep in mind that the standard pay table is used by all services and all members including doctors, JAGs, and chaplains that have considerably different career progression timelines.

**Comment: A 1Lt with 9 years of prior service believes PTR does not help him...**

**Response:** While there are no reforms for prior enlisted lieutenants, when the Lieutenant gets promoted to captain, he's in for a meaningful raise--perhaps what would have been one of his last pay raises other than annual raises since there are no longevity raises for O3Es over 14 in today's table. Under PTR, he'll get an additional 2.3% increase at 16 years of service and another 5.4% increase at 18 years of service and beyond.

**Comment: Why does an O-4 get more money than an E-6**

**Response:** PTR was never intended to reduce the difference in the pay earned by officers and enlisted members. O-4s have always been paid more

than an E-6. With PTR, the objective was to provide increasingly larger pay raises for promotions rather than longevity. Prior to PTR, the reward for being promoted to Major equated to an increase of 4.7%, next to promotion to E-3, the smallest promotion pay raise throughout the entire pay table.

**Comment: PTR was sold as real reform...I don't see any justice except for the SrA who gets 4.8%.**

**Response:** E-4s (the most commonly held enlisted grade) will reap an average increase of 7.59% as a result of the 4.8% increase in Jan 00 and PTR. This amount is second only to the combined increase for a major who will see an average increase of 8.08%. The third highest average increase will go to E-8s with an average increase of 6.64%. E-5s will receive an average increase of 6.16%, which is greater than the increases being awarded to 55% of the officer corps. E-6s and E-7s will receive increases of 5.25% and 5.99%, respectively, which exceed the average increase to O-3s of 5.22%; O-3 is the longest (typically 8 years) and most widely held officer grade. Again, the Air Force is taking steps to promote our people more quickly, where they may see a greater advantage to pay reforms.

**Comment: For an E-6, once you go over 14 YOS, you don't have much of a pay incentive.**

**Response:** Admittedly, additional pay increases for an E-6 with 16+ YOS are not very big under PTR. However, the fundamental objective of PTR was to provide increasingly greater rewards for performance (i.e. promotion); hence, the relatively small increases for an E-6 with 16+ YOS make sense. If the TSgt gets promoted to MSgt, he or she will see total increases of 5.5%, 5.7%, and 7.3% at 16, 18 and 20 YOS, respectively.

**Comment: Why are mid-level officers receiving the higher targeted raises when all the talk is about retaining mid-level NCOs?**

**Response:** There are several reasons involving pay gaps, only a 4.9% pay raise after waiting eight years for promotion to major and the emphasis on performance rather than on longevity. As it turned out, in the Air Force, promotion accounts for roughly 54% of the pay increases that an enlisted member receives over his/her career; PTR will increase that amount to 57%. For an officer, promotion currently only accounts for roughly 43% of the pay increases that an officer receives over his/her career; PTR will increase that amount to 51%. Dramatic changes--particularly for officers--were required to achieve OSD's objective of higher raises for promotion.

**Comment: The PTR does not establish equity between officer and enlisted pay. Why should an O-3 with 4 YOS make more than an E-8 with 24 YOS who also has a college degree?**

**Response:** Although enlisted members will receive a slightly higher percentage increase on average as a result of PTR, the reform was not designed to establish equity between officer and enlisted pay. PTR was designed to provide a greater incentive to get promoted than the current pay table. As a result, changes were made within the enlisted pay table and within the officer pay table to ensure increasing rewards for successive promotions within rather than between each personnel category (i.e. officers and enlisted personnel).

**Comment:** All the press over the past year has led members to believe that two substantial pay raises would take place; however, it appears the enlisted grades have been forgotten...a lot of people who deserve a pay raise are not getting one.

**Response:** Pay table reform, together with a 4.8% pay raise and a reform of the REDUX retirement system is a part of the most comprehensive package of pay benefits for service members in a generation. This includes pay raises for the next 6 years of ECI (Employment Cost Index) + ½ percent. The package represents an additional \$4.2 billion dedicated to our people over the next 6 years. The average total enlisted pay increase will equal 6.21% while that for officers will equal 6.17%. Although some members will not see an immediate increase due to PTR, all members who stay in and get promoted will see significantly increased earnings as a direct result of PTR.

**Comment:** An major with 12 YOS gets \$205 a month with PTR while an TSgt with the same number of YOS will gain only \$18 a month

**Response:** The relatively large average gain for majors was necessary to provide an increased reward for getting promoted to this grade, as previously explained. OSD felt increases of 2.2%, 2.3% and 0.6% for TSgts with 8, 10 and 12 years respectively would move the current enlisted pay table in line with the objective of PTR to weight promotion more heavily than longevity. The Air force is working to reduce sew-on time for TSgts from 14 years to 12.8 where more of this increase would be realized.

### **Pay Table Reform One-Liners:**

- Every military member gets a minimum raise of 4.8% on 1 January 2000, the largest raise in 18 years, and most members will receive another raise with PTR
- 82% of the enlisted force and 57% of the officer force will receive additional pay increases with pay table reform on 1 July 2000
- The average enlisted member will receive a 6.21% pay increase (4.8% in Jan 00 plus PTR); the average officer will receive a 6.17% pay increase (4.8% in Jan 00 plus PTR)



- Pay table reform was proposed by the 7<sup>th</sup> Quadrennial Review of Military Compensation (QRMC) and validated by the 8<sup>th</sup> QRMC. Reform is not intended to be a regular pay raise, rather a one-time modification to the table that will be used by all the Services
- With the pay table reform, more emphasis is now on rewarding promotion while retaining meaningful longevity raises
- For across-the-board pay raises, two-thirds of the dollars added into the pay account goes to enlisted members while one-third goes to officers. The added dollars for pay table reform are three-quarters into enlisted pay cells and one-quarter to the officer cells
- It is important for members to look beyond the pay cell they are currently in and look instead at the increased earnings they will realize throughout their careers and into retirement
- At current promotion and sew-on points in the Air Force, a members' life-stream earnings after 30 years will increase 1.4% for enlisted and 1.4% for officers
- With Air Force's current efforts toward reducing sew-on times for enlisted, pay table reform will put even more money into the pockets of our airmen as they are promoted in the future